

Financial Report

*Second Harvest Food Bank of
Greater New Orleans and Acadiana*

June 30, 2021



Financial Report

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Greater New Orleans and Acadiana*

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TABLE OF CONTENTS

Second Harvest Food Bank of Greater New Orleans and Acadiana

June 30, 2021 and 2020

	<u>Page Numbers</u>
Financial Section	
Independent Auditor's Report	1 - 3
Exhibits	
A - Statements of Financial Position	4 - 5
B-1 - Statement of Activities (For the Year Ended June 30, 2021)	6 - 7
B-2 - Statement of Activities (For the Year Ended June 30, 2020)	8 - 9
C-1 - Statement of Functional Expenses (For the Year Ended June 30, 2021)	10
C-2 - Statement of Functional Expenses (For the Year Ended June 30, 2020)	11
D - Statements of Cash Flows	12 - 13
E - Notes to Financial Statements	14 - 39
Supplemental Information	
Schedules	
1 - Schedule of Support, Revenue, and Expenses Prepared for The United Way of Southeast Louisiana	40
Special Reports of Certified Public Accountants	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	41 - 42
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	43 - 45
Schedule of Expenditures of Federal Awards	46
Notes to Schedule of Expenditures of Federal Awards	47 - 48
Schedule of Findings and Questioned Costs	49 - 50
Reports by Management	
Schedule of Prior Year Findings and Questioned Costs	51
Management's Corrective Action Plan on Current Year Findings	52

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To Most Reverend Gregory Aymond, Archbishop
and Board of Directors,
Second Harvest Food Bank of Greater New Orleans and Acadiana,
New Orleans, Louisiana.

Report on the Financial Statements

We have audited the accompanying financial statements of Second Harvest Food Bank of Greater New Orleans and Acadiana ("Second Harvest"), a non-profit organization, which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Second Harvest as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information in Schedule 1 is presented for the purposes of additional analysis and is not a required part of the financial statements. The information in Schedule 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on the supplemental information. The accompanying supplemental information is not intended to present Second Harvest's financial position and results of operations.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2021, on our consideration of Second Harvest's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Second Harvest's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Bougeois Bennett, L.L.C." in a cursive script.

Certified Public Accountants.

New Orleans, Louisiana.
December 23, 2021.

STATEMENTS OF FINANCIAL POSITION

Second Harvest Food Bank of Greater New Orleans and Acadiana

June 30, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and cash equivalents	\$ 7,238,943	\$ 15,976,840
Contributions receivable:		
Pledges	2,616,607	1,376,303
United Way	253,267	257,467
Grants receivable	573,057	1,090,766
Other receivables	241,531	130,033
Prepaid and other assets	82,222	60,712
Investments	41,901,802	3,346,147
Inventory	5,032,042	6,288,257
	<u>57,939,471</u>	<u>28,526,525</u>
Noncurrent Assets:		
Pledges receivable, noncurrent	2,074,029	2,737,777
Property and equipment - net	16,545,251	11,080,935
Investments	1,561,292	1,229,163
Other assets	24,607	24,607
	<u>20,205,179</u>	<u>15,072,482</u>
Total assets	<u>\$ 78,144,650</u>	<u>\$ 43,599,007</u>

See notes to financial statements.

LIABILITIES AND NET ASSETS

	2021	2020
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,990,643	\$ 1,848,393
Capital lease obligations, current	107,001	101,509
Note payable, current	-	3,136,178
Paycheck Protection Program note payable, current	-	414,205
Derivative liability	-	38,461
Other liabilities	8,213	9,663
	<u>2,105,857</u>	<u>5,548,409</u>
Noncurrent Liabilities:		
Capital lease obligations, net of current amounts	260,164	367,164
Paycheck Protection Program note payable, net of current maturities	-	527,595
	<u>2,366,021</u>	<u>6,443,168</u>
Net Assets:		
Without donor restrictions:		
Designated	5,649,511	2,331,692
Undesignated	36,913,349	26,019,770
	<u>42,562,860</u>	<u>28,351,462</u>
With donor restrictions	<u>33,215,769</u>	<u>8,804,377</u>
	<u>75,778,629</u>	<u>37,155,839</u>
	<u>\$ 78,144,650</u>	<u>\$ 43,599,007</u>

STATEMENT OF ACTIVITIES**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support			
Public support:			
Donations of food, grocery, and other products from producers and brokers	\$ 88,182,265	\$ -	\$ 88,182,265
Contributions, donations, and grants	17,218,898	29,235,010	46,453,908
Contributed goods and services	1,697	-	1,697
United Way			
Southeast Louisiana:			
Allocations	-	45,000	45,000
Designations	82,327	-	82,327
St. Charles - allocations	-	170,800	170,800
Acadiana - allocations	25,937	25,800	51,737
Disaster - allocations	155,000	-	155,000
Other - allocations	16,364	-	16,364
Special events	199,963	-	199,963
	<u>105,882,451</u>	<u>29,476,610</u>	<u>135,359,061</u>
Governmental financial assistance:			
U.S.D.A. commodities	30,304,407	-	30,304,407
U.S.D.A. administration	4,081,737	-	4,081,737
Fees and grants from other federal agencies	328,137	134,192	462,329
Non-Federal fees and grants	450,887	-	450,887
	<u>35,165,168</u>	<u>134,192</u>	<u>35,299,360</u>
Total governmental financial assistance			

**Exhibit B-1
(Continued)**

	Without Donor Restrictions	With Donor Restrictions	Totals
Other Revenue			
Program generated	508,307	414,040	922,347
Paycheck Protection Program loan forgiveness	941,800	-	941,800
Investment income	873,671	418,148	1,291,819
Rental income	122,266	-	122,266
Other	110,043	-	110,043
Net assets released from restrictions	6,031,598	(6,031,598)	-
Total other revenue	8,587,685	(5,199,410)	3,388,275
Total revenue	149,635,304	24,411,392	174,046,696
Expenses			
Program services	132,327,802	-	132,327,802
Management and general	1,233,406	-	1,233,406
Fundraising	1,901,159	-	1,901,159
Total expenses	135,462,367	-	135,462,367
Change in Net Assets Before Change in Liability on Interest Rate Swap Agreement			
	14,172,937	24,411,392	38,584,329
Change in liability on interest rate swap agreement (Note 11)	38,461	-	38,461
Change in Net Assets	14,211,398	24,411,392	38,622,790
Net Assets			
Beginning of year	28,351,462	8,804,377	37,155,839
End of year	\$ 42,562,860	\$ 33,215,769	\$ 75,778,629

See notes to financial statements.

STATEMENT OF ACTIVITIES**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenues and Other Support			
Public support:			
Donations of food, grocery, and other products from producers and brokers	\$ 47,067,817	\$ -	\$ 47,067,817
Contributions, donations, and grants	19,016,966	2,380,499	21,397,465
Contributed goods and services	57,500	-	57,500
United Way			
Southeast Louisiana:			
Allocations	-	45,000	45,000
Designations	75,872	-	75,872
St. Charles - allocations	-	170,800	170,800
St. John - allocations	-	30,000	30,000
Disaster - allocations	160,800	-	160,800
Other - allocations	9,011	5,000	14,011
Special events	316,270	-	316,270
	<u>66,704,236</u>	<u>2,631,299</u>	<u>69,335,535</u>
Governmental financial assistance:			
U.S.D.A. commodities	30,090,754	-	30,090,754
U.S.D.A. administration	2,127,659	-	2,127,659
Fees and grants from other federal agencies	811,998	-	811,998
Non-Federal fees and grants	585,490	-	585,490
	<u>33,615,901</u>	<u>-</u>	<u>33,615,901</u>

**Exhibit B-2
(Continued)**

	Without Donor Restrictions	With Donor Restrictions	Totals
Other Revenue			
Program generated	334,581	-	334,581
Investment income	72,333	33,398	105,731
Rental income	121,047	-	121,047
Other	154,645	-	154,645
Net assets released from restrictions	<u>1,632,793</u>	<u>(1,632,793)</u>	<u>-</u>
Total other revenue	<u>2,315,399</u>	<u>(1,599,395)</u>	<u>716,004</u>
Total revenue	<u>102,635,536</u>	<u>1,031,904</u>	<u>103,667,440</u>
Expenses			
Program services	88,794,771	-	88,794,771
Management and general	1,109,807	-	1,109,807
Fundraising	<u>1,739,630</u>	<u>-</u>	<u>1,739,630</u>
Total expenses	<u>91,644,208</u>	<u>-</u>	<u>91,644,208</u>
Change in Net Assets Before Change in Liability on Interest Rate Swap Agreement			
	10,991,328	1,031,904	12,023,232
Change in liability on interest rate swap agreement (Note 11)	<u>(11,078)</u>	<u>-</u>	<u>(11,078)</u>
Change in Net Assets	10,980,250	1,031,904	12,012,154
Net Assets			
Beginning of year	<u>17,371,212</u>	<u>7,772,473</u>	<u>25,143,685</u>
End of year	<u>\$ 28,351,462</u>	<u>\$ 8,804,377</u>	<u>\$ 37,155,839</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the year ended June 30, 2021

	<u>Food Distribution</u>	<u>Social Enterprise</u>	<u>Disaster</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 2,605,933	\$ 56,503	\$ 1,507,378	\$ 4,169,814	\$ 679,418	\$ 733,768	\$ 5,583,000
Employee benefits and taxes	694,530	17,606	237,042	949,178	232,454	162,622	1,344,254
Personnel development and recruitment	<u>34,000</u>	<u>-</u>	<u>9,149</u>	<u>43,149</u>	<u>56,655</u>	<u>2,921</u>	<u>102,725</u>
 Total salaries and related expenses	 3,334,463	 74,109	 1,753,569	 5,162,141	 968,527	 899,311	 7,029,979
Food distribution	87,213,317	25,628	35,294,440	122,533,385	-	-	122,533,385
Occupancy	723,998	89,420	144,318	957,736	-	-	957,736
Professional fees and contract services	228,239	2,670	301,622	532,531	161,905	248,827	943,263
Transportation and freight	583,760	-	230,424	814,184	2,777	38,415	855,376
Mailings and solicitations	94,071	-	252,510	346,581	421	446,056	793,058
Depreciation	628,644	641	-	629,285	4,795	11,121	645,201
Other operating expenses	185,211	8,964	171,900	366,075	24,397	160,366	550,838
Equipment expenses	286,440	1,833	79,324	367,597	56,438	4,662	428,697
Supplies	138,295	534	190,796	329,625	14,146	27,808	371,579
Insurance	238,486	-	50,176	288,662	-	3,400	292,062
Special events	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,193</u>	<u>61,193</u>
 Total expenses	 <u>\$ 93,654,924</u>	 <u>\$ 203,799</u>	 <u>\$ 38,469,079</u>	 <u>\$ 132,327,802</u>	 <u>\$ 1,233,406</u>	 <u>\$ 1,901,159</u>	 <u>\$ 135,462,367</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the year ended June 30, 2020

	<u>Food Distribution</u>	<u>Social Enterprise</u>	<u>Disaster</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 1,902,191	\$ 110,477	\$ 1,437,378	\$ 3,450,046	\$ 596,577	\$ 572,559	\$ 4,619,182
Employee benefits and taxes	508,070	28,021	243,379	779,470	230,162	124,522	1,134,154
Personnel development and recruitment	15,095	44	33,824	48,963	45,051	6,589	100,603
Total salaries and related expenses	2,425,356	138,542	1,714,581	4,278,479	871,790	703,670	5,853,939
Food distribution	73,962,392	24,567	6,897,871	80,884,830	-	-	80,884,830
Occupancy	510,990	94,461	30,012	635,463	-	-	635,463
Professional fees and contract services	226,795	16,746	188,518	432,059	155,475	193,862	781,396
Transportation and freight	415,922	687	126,014	542,623	1,133	39,233	582,989
Mailings and solicitations	139	-	37,905	38,044	-	618,498	656,542
Depreciation	517,107	303	-	517,410	7,929	6,047	531,386
Other operating expenses	154,103	129,984	121,269	405,356	30,678	127,308	563,342
Equipment expenses	177,220	2,570	81,860	261,650	31,255	2,545	295,450
Supplies	249,102	5,918	311,560	566,580	11,547	19,358	597,485
Insurance	220,240	7,936	4,101	232,277	-	2,714	234,991
Special events	-	-	-	-	-	26,395	26,395
Total expenses	\$ 78,859,366	\$ 421,714	\$ 9,513,691	\$ 88,794,771	\$ 1,109,807	\$ 1,739,630	\$ 91,644,208

See notes to financial statements.

STATEMENTS OF CASH FLOWS**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 38,622,790	\$ 12,012,154
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Receipts of donated product and U.S.D.A. commodities	(118,486,672)	(77,158,571)
Distributions of donated product and U.S.D.A. commodities	119,678,694	78,759,657
Depreciation	645,201	531,386
Unrealized and realized (gains) losses on investments, net	(1,152,913)	111,877
(Gain) loss on sale of assets	16,183	(250)
Forgiveness of Paycheck Protection Program note payable	(941,800)	-
Revenues restricted for the acquisition of property and equipment:		
Capital campaign contributions	(3,351,244)	(1,865,620)
Change in liability on interest rate swap agreement	(38,461)	11,078
Changes in assets and liabilities:		
Receivables and pledges	410,412	277,110
Other assets	-	(250)
Prepaid expenses	(21,510)	1,523
Inventory	64,193	(323,201)
Accounts payable and accrued expenses	142,250	1,169,377
Other liabilities	(1,450)	-
	<u>35,585,673</u>	<u>13,526,270</u>
Net cash provided by operating activities		

**Exhibit D
(Continued)**

	<u>2021</u>	<u>2020</u>
Cash Flows From Investing Activities		
Purchases of investments	(37,820,890)	(297,227)
Proceeds from sale of investments	86,019	79,619
Purchases of property and equipment	(6,158,138)	(936,886)
Proceeds from sale of property and equipment	32,438	250
	<u>(43,860,571)</u>	<u>(1,154,244)</u>
Net cash used in investing activities		
	<u>(43,860,571)</u>	<u>(1,154,244)</u>
Cash Flows From Financing Activities		
Collections of capital campaign contributions restricted for the acquisition of property and equipment	2,774,687	2,848,960
Repayments of capital lease obligation	(101,508)	(96,309)
Repayments to Archdiocese of New Orleans, net	-	(114)
Proceeds from Paycheck Protection Program note payable	-	941,800
Principal payments on note payable	(3,136,178)	(229,476)
	<u>(462,999)</u>	<u>3,464,861</u>
Net cash provided by (used in) financing activities		
	<u>(462,999)</u>	<u>3,464,861</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,737,897)	15,836,887
Cash and Cash Equivalents		
Beginning of year	15,976,840	139,953
End of year	<u>\$ 7,238,943</u>	<u>\$ 15,976,840</u>
Supplemental Disclosure for Cash Flow Information		
Cash paid during the year for interest	<u>\$ 104,974</u>	<u>\$ 156,513</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Second Harvest Food Bank of Greater New Orleans and Acadiana**

June 30, 2021 and 2020

Note 1 - NATURE OF ACTIVITIES

Second Harvest Food Bank of Greater New Orleans and Acadiana ("Second Harvest"), a Louisiana non-profit corporation, is a ministry of the Roman Catholic Church of the Archdiocese of New Orleans and is a certified member of Feeding America. Its mission is to lead the fight against hunger and build food security in South Louisiana by providing food access, advocacy, education and disaster response. Second Harvest provides distribution of food and related products to qualified charitable organizations. The Archbishop or Administrator of the Archdiocese of New Orleans (the "Archdiocese") is the sole member of Second Harvest.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Basis of Accounting**

The financial statements of Second Harvest are prepared on the accrual basis of accounting.

b. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

c. Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, Second Harvest considers all unrestricted, highly liquid, short-term investments, including money market account deposits, commercial paper investments, and certificates of deposit purchased with an initial maturity of 90 days or less to be cash equivalents.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Allowance for Doubtful Accounts

Second Harvest uses the reserve method to recognize uncollectible accounts. The reserve is based on management's assessment of the collectability of specific accounts. Management monitors outstanding receivable balances and charges off to bad debt expense any balances that are determined to be uncollectible. There was no bad debt expense for the years ended June 30, 2021 and 2020. As of June 30, 2021 and 2020, there was no reserve for bad debt.

e. Investments

Second Harvest records investments in mutual funds held with separate brokerage firms, and in the investment pool with the Catholic Community Foundation of the Archdiocese of New Orleans (the "Foundation") at their fair market values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities. Unrealized gains and losses on investments are recorded as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Interest earned on donor restricted investments is reported based on the existence or absence of donor-imposed restrictions. Realized gains and losses on the sales of securities are determined using the specific-identification method. A decline in the fair value of investments below cost that is deemed to be other than temporary, results in a charge to the change in net assets and the establishment of a new cost basis for the investment.

Investments held with the Foundation are included with the investments of the various agencies of the Archdiocese that are held in pooled assets and separately invested portfolios with the Foundation. Pooled assets represent funds that are invested in a commingled portfolio of investments, as opposed to separately invested assets. Investments in such pooled assets consist primarily of debt and equity securities and mutual fund investments.

f. Fair Value Measurements

FASB ASC 820, "*Fair Value Measurements and Disclosures*", defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. Fair value concepts are applied in recording investments.

The framework for measuring fair value provides a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Fair Value Measurements (Continued)

for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under Financial Accounting Standards Board Accounting Standards Codification Topic 820, *Fair Value Measurements*, are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Second Harvest has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2021 and 2020.

- *Mutual Funds*: Second Harvest uses the market approach for valuing mutual funds which are within Level 1 of the fair value hierarchy. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Fair Value Measurements (Continued)

- *Pooled Investments with the Foundation:* Certain investments of Second Harvest are held in pooled assets managed by the Foundation. The investments are valued on information provided by the Foundation. These investments are reported at net asset value (NAV) which approximates fair value and have no lockup provisions. Investments measured at fair value using the NAV practical expedient have not been categorized in the fair value hierarchy and have no fixed redemption frequency, notice periods, or unfunded commitments. These are included in Level 2 of the fair value hierarchy.

The methods described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Second Harvest believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

g. Inventory

Second Harvest's inventory is comprised of donated food and grocery products, U.S.D.A. commodities, and purchased food and grocery products. Donated food and U.S.D.A. commodities inventory, including food received, distributed and undistributed, is valued using the estimated fair value as determined by the Feeding America Product Valuation Survey prepared by KPMG, LLP on an annual basis. The report provides the average wholesale value of products donated to the network and is considered to be a reasonable basis upon which to estimate these amounts. The average wholesale value used was \$1.79 and \$1.74 per pound for assorted donations and \$1.70 and \$1.49 per pound for food only donations for the years ended June 30, 2021 and 2020, respectively.

Purchased food inventory is recorded at cost. As of June 30, 2021 and 2020, there was no obsolete inventory.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Derivative Instruments

Second Harvest had a derivative instrument that was used as a hedge to the variable interest rate loan issued by a financial institution (Note 11).

Second Harvest follows Topic 815, *Derivatives and Hedges*, which requires Second Harvest to recognize all of its derivative instruments as either assets or liabilities on the Statements of Financial Position at fair value. The accounting for the change in fair value of the derivative instrument is recognized as a component of change in net assets without donor restrictions in the Statements of Activities.

i. Property and Equipment

Property is stated at cost or at fair market value on the date of donation for donated assets. Depreciation of these assets is provided over their estimated useful lives, which ranges from three years to 50 years, on a straight-line basis. Repairs and maintenance are charged to expense as incurred; major renewals and replacements and betterments are capitalized.

For the years ended June 30, 2021 and 2020, depreciation expense totaled \$645,201 and \$531,386 respectively.

j. Financial Statement Presentation

Net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Support, revenue, and expenses for general operations.

Net Assets With Donor Restrictions - Contributions specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period or contributions subject to donor-imposed restrictions and that are to be held in perpetuity by Second Harvest.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Contributions and Revenue Recognition

Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in net assets with donor restrictions. Other support and/or contributions not restricted are recorded as net assets without donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as support without donor restrictions. The value of contributed goods and services has been recorded as revenue and other support in the period received, provided there is an objective basis for measurement of the value of such goods and services, and they are significant and form an integral part of the efforts of the program.

Contributions receivable are recognized when the donor makes a promise to give to Second Harvest that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give as of June 30, 2021 and 2020.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Such donations are reported as support without donor restrictions unless the donor has restricted the donated assets for a specific purpose. There were no donated non-cash assets received for the years ended June 30, 2021 and 2020.

l. Functional Allocation of Expenses

Most of the expenses can be directly allocated to programs or supporting functions. The financial statements also report certain categories of expenses that are attributable to both programs and supporting functions. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, and taxes which are allocated based on the number of employees by program or supporting function and mailings and solicitations which are allocated based on the portion attributable to each function.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Donated Services

Support arising from donated services is recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation.

The donated volunteer services in Second Harvest's functional areas were 107,587 hours for the year ended June 30, 2021 and 79,775 hours for the year ended June 30, 2020. The services provided for the years ended June 30, 2021 and 2020 do not meet either criterion described above. The computation of the value of these services represents the amount of compensation, which would be paid if non-volunteer personnel were to occupy these positions. The 107,587 hours for the year ended June 30, 2021 and 79,775 hours for the year ended June 30, 2020 that do not meet either of the recognition criteria described above have not been recognized in the accompanying financial statements. The value for donated volunteer services for the years ended June 30, 2021 and 2020 was \$2,381,976 and \$1,766,148, respectively.

n. Income Taxes

Second Harvest operates as a non-profit corporation pursuant to section 501(c)(3) of the Internal Revenue Code. As such, Second Harvest is subject to income tax only on unrelated business taxable income.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosures of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2021, management of Second Harvest believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years ended June 30, 2018 and later remain subject to examination by the taxing authorities.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Recently Issued Accounting Standards

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "*Revenue from Contracts with Customers*" (Topic 606), which provides a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition models. Subsequent to the issuance of ASU No. 2014-09, the FASB issued several additional ASUs which amended and clarified the guidance and deferred the effective date. The ASU is effective for annual reporting periods beginning after December 15, 2019, with certain early adoption provisions available. Second Harvest has adopted the provisions of ASU No. 2014-09 and retrospectively applied this standard to the financial statements. The adoption of this accounting standard did not have a significant impact on the financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*" (Topic 842). ASU No. 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the Statement of Financial Position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the Statements of Activities and the Statements of Cash Flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Second Harvest is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Recently Issued Accounting Standards (Continued)

Contributed Non-Financial Assets

In September 2020, the FASB issued ASU No. 2020-07, "*Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*" (Topic 958). The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting by nonprofits of gifts-in-kind. The ASU is effective for fiscal years beginning after June 15, 2022. Second Harvest is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

p. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 23, 2021, which is the date the financial statements were available to be issued.

Note 3 - GRANTS RECEIVABLE

The grants receivable balances as of June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Mobile Market	\$250,000	\$ -
CARES/Emergency Food and Shelter Program	118,437	328,228
U.S.D.A. distribution fees	93,063	300,479
Department of Education -		
Summer Food Service Program	84,970	68,730
Department of Children and Family Services	8,892	36,448
Baptist Community Ministries	7,500	150,001
Kid's Café	5,195	-
Other grants	5,000	126,880
Methodist Health System Foundation	-	80,000
	<u>-</u>	<u>80,000</u>
Totals	<u>\$573,057</u>	<u>\$1,090,766</u>

Note 4 - PLEDGES RECEIVABLE

Promises of donors to make contributions to Second Harvest are included in the financial statements as pledges receivable and contributions after discounting projected future cash flows to present value using a discount rate of 5% as determined by management to be a market rate of interest.

Pledges receivable as of June 30, 2021 and 2020 consist of the following:

	2021	2020
In less than one year	\$ 2,616,607	\$ 1,376,303
One to five years	2,325,367	3,111,834
Totals	4,941,974	4,488,137
Unamortized discount	(251,338)	(374,057)
Net pledges receivable	\$ 4,690,636	\$ 4,114,080

Second Harvest started a capital campaign during the year ended June 30, 2019 to help fund capacity-building improvements and renovations to its existing food warehouse. The pledges receivable balance includes approximately \$4,845,000 and \$4,340,000 of capital campaign pledges before the unamortized discount as of June 30, 2021 and 2020, respectively. (See Notes 9 and 26.)

Note 5 - INVESTMENTS

The following summarizes the market value of investments and the investment return as of and for the years ended June 30, 2021 and 2020:

	2021	2020
Investments:		
Pooled assets held with the Foundation	\$ 8,827,596	\$4,575,310
Mutual funds	34,635,498	-
Totals	\$43,463,094	\$4,575,310
Unrealized gain (loss) on investments	\$ 1,187,017	\$ (81,400)
Realized loss on investments	(34,104)	(30,477)
	1,152,913	(111,877)
Interest and dividend income	138,906	217,608
Investment income	\$ 1,291,819	\$ 105,731

The current and long-term values of investments are \$41,901,802 and \$1,561,292, respectively, as of June 30, 2021, and \$3,346,147 and \$1,229,163, respectively, as of June 30, 2020.

Note 6 - FAIR VALUE MEASUREMENTS

The following tables set forth by level within the fair value hierarchy Second Harvest's investments as of June 30, 2021 and 2020:

Description	Based on			2021 Totals
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Mutual funds	\$ 34,635,498	\$ -	\$ -	\$ 34,635,498
Total assets in the fair value hierarchy	<u>\$ 34,635,498</u>	<u>\$ -</u>	<u>\$ -</u>	34,635,498
Investments measured at net asset value				<u>8,827,596</u>
Investments, at fair value				<u>\$ 43,463,094</u>

Description	Based on			Fair Value As Of 2020
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Pooled investments with the Foundation	\$ -	\$ 4,575,310	\$ -	<u>\$ 4,575,310</u>

As of June 30, 2021 and 2020, there were no assets measured at fair value on a non-recurring basis.

Note 7 - INVENTORY

Undistributed food and grocery products as of June 30, 2021 and 2020 consist of the following:

	2021		2020	
	Dollars	Pounds	Dollars	Pounds
Donated and purchased	\$ 4,057,848	2,637,942	\$ 4,538,691	2,921,053
U.S.D.A. commodities	<u>974,194</u>	<u>644,384</u>	<u>1,749,566</u>	<u>1,100,485</u>
Totals	<u>\$ 5,032,042</u>	<u>3,282,326</u>	<u>\$ 6,288,257</u>	<u>4,021,538</u>

Note 8 - SECOND HARVEST FOOD AND GROCERY PRODUCTS RECEIVED AND DISTRIBUTED

Second Harvest receipts and distribution of food and grocery products for the years ended June 30, 2021 and 2020 were as follows:

	2021		2020	
	Dollars	Pounds	Dollars	Pounds
Receipts:				
Donated product	\$ 88,182,265	49,415,937	\$ 47,067,817	27,446,251
Purchased product	2,309,795	1,719,963	3,004,517	3,203,775
U.S.D.A. commodities	30,304,407	17,826,122	30,090,754	20,195,137
Totals	<u>\$ 120,796,467</u>	<u>68,962,022</u>	<u>\$ 80,163,088</u>	<u>50,845,163</u>
Distributions, net of adjustments:				
Donated product	\$ 88,598,915	49,649,166	\$ 46,119,383	26,961,547
Purchased product	2,373,988	1,769,845	2,681,316	2,849,121
U.S.D.A. commodities	31,079,779	18,282,223	32,640,274	21,906,224
Totals	<u>\$ 122,052,682</u>	<u>69,701,234</u>	<u>\$ 81,440,973</u>	<u>51,716,892</u>

Note 9 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2021 and 2020 is as follows:

	2021	2020
Building and improvements	\$ 9,152,986	\$ 8,969,098
Land	1,960,000	1,960,000
Vehicles	2,826,785	2,455,608
Furniture, fixtures, and equipment	3,145,366	2,459,164
Construction in progress (See Notes 4 and 26)	5,241,954	594,603
Leasehold improvements	56,843	56,843
	22,383,934	16,495,316
Less: accumulated depreciation	<u>(5,838,683)</u>	<u>(5,414,381)</u>
Totals	<u>\$ 16,545,251</u>	<u>\$ 11,080,935</u>

Note 10 - CAPITAL LEASE OBLIGATIONS

Second Harvest has capital leasing arrangements for vehicles with varying imputed interest rates from approximately 4.5% to 5.8%. The leases require monthly payments, including interest, ranging from \$1,096 to \$2,025. The leases mature in months ranging from June 2023 through March 2026. The following is a schedule of capitalized costs and accumulated depreciation acquired through capital lease as of June 30, 2021 and 2020.

	2021	2020
Capitalized costs	\$713,782	\$713,782
Accumulated depreciation	(376,646)	(272,769)
Net book value	\$337,136	\$441,013

Depreciation expense on equipment acquired through the capital leases totaled \$103,877 for each of the years ended June 30, 2021 and 2020.

Capitalized costs are included in the totals of vehicles in Note 9.

Interest expense on the capital lease obligations totaled \$22,309 and \$27,510 for the years ended June 30, 2021 and 2020, respectively.

Future minimum payments under the capital lease obligations as of June 30, 2021 are as follows:

Year Ending June 30,	
2022	\$ 123,818
2023	123,818
2024	108,566
2025	27,770
2026	18,222
Total future payments	402,194
Less amount representing interest	(35,029)
Present value of net future payments	\$367,165

Note 11 - NOTE PAYABLE AND INTEREST RATE SWAP AGREEMENT

On January 21, 2011, Second Harvest entered into a mortgage loan agreement totaling \$5,100,000. The loan was payable in monthly principal and interest amounts of \$31,703 at an interest rate of 4.22% beginning March 2011 through January 2016 with all remaining principal and interest due February 2016. On February 5, 2014, Second Harvest refinanced the mortgage loan balance of \$4,589,528. The loan balance as of June 30, 2020 was \$3,136,178. The loan was paid in full during March 2021. The loan was payable in monthly principal amounts of \$19,123 plus interest at a variable rate of interest (1.673% as of June 30, 2020) based on USD-LIBOR BBA plus a base rate of 1.50% (3.173% as of June 30, 2020) beginning March 2014 through February 2021 with all remaining principal and interest due February 2021. The loan was collateralized with land, building, and improvements.

In conjunction with this note, Second Harvest entered into an interest rate swap agreement with the financial institution whereby the notional amount (\$3,136,178 as of June 30, 2020) bore interest at a fixed rate of 2.25% minus a variable interest rate based on the USD-LIBOR BBA (1.673% as of June 30, 2020). The swap agreement was designed to hedge the risk of changes in interest rate payments on the refinanced mortgage loan. The interest rate swap agreement was terminated during February 2021.

Second Harvest has recognized an unfavorable position with the counterparty in the amount of \$38,461 as a derivative liability on the Statement of Financial Position as of June 30, 2020, and recorded an unrealized gain of \$38,461 and loss of \$11,078 on the Statements of Activities for the years ended June 30, 2021 and 2020, respectively.

Interest expense on the notes payable and swap agreement for the years ended June 30, 2021 and 2020 was \$82,665 and \$129,003, respectively.

The mortgage agreement contained certain covenants, including the maintenance of certain financial ratios. As of June 30, 2021 and 2020, management of Second Harvest was not aware of any violations of the covenants.

Note 12 - PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

On April 28, 2020, Second Harvest received a \$941,800 loan from a local bank under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and implemented by the U.S. Small Business Administration (SBA). Interest on the loan was 1%. The loan was forgiven and repaid in full by the SBA on January 19, 2021, and is recorded as other revenue on the Statement of Activities for the year ended June 30, 2021.

Note 13 - DUE TO ARCHDIOCESE OF NEW ORLEANS

During the year ended June 30, 2018, Second Harvest borrowed \$500,000 from the Archdiocese of New Orleans. The loan had no stipulated repayment terms and bore interest at a variable rate. The loan bore interest at a rate of 4.6% as of June 30, 2020. The loan had a balance of \$114 as of June 30, 2019. Second Harvest borrowed \$406,827 on the loan during the year ended June 30, 2020. The loan balance was paid in full as of June 30, 2020.

On July 1, 2020, Second Harvest secured a \$2,000,000 line of credit with the Archdiocese. The line of credit has no stipulated repayment terms and bears an interest rate of 4.6%. The line of credit matures on June 30, 2025. There was no activity related to this line of credit for the year ended June 30, 2021.

Note 14 - DESIGNATION OF NET ASSETS WITHOUT DONOR RESTRICTIONS

On March 6, 2013, the Board of Directors passed a resolution which approved the adoption of the Operating Reserve Policy. The Operating Reserve Policy of Second Harvest is designed to ensure the stability of Second Harvest's mission and ongoing operations. The Operating Reserve is intended to provide a source of funds for situations such as extraordinary expenses that arise, reserve variability, unanticipated losses of funding, or other unexpected financial events. The Operating Reserve is not intended to replace a permanent loss of funds or eliminate an ongoing budget deficit. Second Harvest's Operating Reserve will be supported by investments in the form of cash deposits or publicly traded investments to be available based on Finance Committee recommendations and Board of Directors' approvals. As of June 30, 2021 and 2020, the Operating Reserve requirements were \$5,649,511 and \$2,331,692, respectively.

Note 15 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes.

	2021	2020
Subject to expenditure for specified purpose:		
Sustainability and long-term strategic goals	\$ 25,000,000	\$ -
Capital campaign (See Note 4)	4,845,106	6,580,381
Food distribution program	484,994	257,873
Mobile market program	414,041	-
LA collaborative	336,939	-
Backpack program	149,368	140,000
Mobile pantry program	102,109	15,800
Therapeutic food pantry	74,734	242,403
Summer feeding program	64,833	-
School pantry program	52,152	51,188
COVID-19 disaster relief	15,000	186,355
Capital	15,000	-
Kids Café program	3,333	-
Subject to passage of time:		
Unconditional promises to give	96,868	101,214
	31,654,477	7,575,214
Endowment fund	1,561,292	1,229,163
Total net assets with donor restrictions	\$ 33,215,769	\$ 8,804,377

In December 2020, Second Harvest received a \$25,000,000 grant from a donor advised fund at the Chicago Community Foundation. The purpose of this grant is to ensure Second Harvest's sustainability to serve South Louisiana into the future and fund the food bank's long-term strategic goals across its 23 parish service area. The funds have been placed in short-term investments (see Note 5) while the organization works to develop a framework for use of these funds in support of the donor's intent. While there exists an annual reporting requirement for a three year period, there is no time restriction related to fulfilling the purpose of this grant.

Note 15 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

During the years ended June 30, 2021 and 2020, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or passage of time specified by donors.

	2021	2020
Capital campaign	\$ 5,086,520	\$ 692,651
Food distribution program	245,885	201,000
Therapeutic food pantry	230,487	279,684
COVID-19 disaster relief	171,355	-
Backpack program	140,000	140,000
Transfer from endowment	86,019	79,619
School pantry program	35,000	13,139
Order ahead program	16,187	-
Mobile pantry program	15,800	165,800
Other pledges	4,345	-
Food sourcing	-	50,900
Kids Café program	-	10,000
	\$ 6,031,598	\$ 1,632,793
Totals		

Note 16 - ENDOWMENT

The Board of Directors (the "Board") of Second Harvest has a strong fiduciary duty to manage the assets of Second Harvest's endowment and believes it should be done in a prudent manner. The Board recognizes that the intent of the endowment is to protect the donor with respect to expenditures from endowments. If this intent is clearly expressed by the donor, whether the intent is in a written gift instrument or not, the intent of the donor is followed. Earnings, including appreciation, that are not required by the donor to be reinvested in corpus are maintained in net assets without donor restrictions.

The Endowments. Second Harvest's endowment fund consists of a restricted fund established for the purpose of generating income to support general operations. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 16 - ENDOWMENT (Continued)

During the year ended June 30, 2000, the donor amended the "Agreement to Donate" dated August 26, 1997, which revised the method of distributing the earnings to Second Harvest, whereby 5% of the average market value of the investment for the last twelve fiscal quarters is allowed to be distributed annually to Second Harvest. All amounts in excess of the 5% distribution are to be reinvested as corpus. The amended "Agreement to Donate" also required that the principal balance should not be reduced below \$1,000,000.

Interpretation of Relevant Law. Second Harvest is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions because those net assets cannot be spent, except as distributed according to the preceding paragraph. Second Harvest has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to the endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Second Harvest considers a fund to be underwater if the fair value of the fund is less than the sum of:

- the original value of initial and subsequent gift amounts donated to the fund, and
- accumulations to the permanent endowment, made in accordance with donor's amended "Agreement to Donate".

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, Second Harvest considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of Second Harvest and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Second Harvest
- The investment policies of Second Harvest

Note 16 - ENDOWMENT (Continued)

The composition of endowment net assets with donor restrictions as of June 30, 2021 and 2020 is as follows:

	2021	2020
Original donor-restricted gift amount required to be maintained in perpetuity by donor	\$ 1,000,000	\$ 1,000,000
Accumulated investment gains	561,292	229,163
With donor restrictions	\$ 1,561,292	\$ 1,229,163

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment net assets, Beginning of year	\$442,183	\$ 1,229,163	\$ 1,671,346
Earnings	4,467	430,565	435,032
Fees	(4,467)	(12,417)	(16,884)
Transfers	86,019	(86,019)	-
Endowment net assets, end of year	\$528,202	\$ 1,561,292	\$ 2,089,494
	2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment net assets, Beginning of year	\$362,564	\$ 1,275,384	\$ 1,637,948
Earnings	3,328	45,104	48,432
Fees	(3,328)	(11,706)	(15,034)
Transfers	79,619	(79,619)	-
Endowment net assets, end of year	\$442,183	\$ 1,229,163	\$ 1,671,346

Note 16 - ENDOWMENT (Continued)

Underwater Endowment Funds. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or SPMIFA requires Second Harvest to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur after the investment of contributions with perpetual duration. There were no such deficiencies in endowment net assets with donor restrictions as of June 30, 2021 and 2020.

Return Objectives and Risk Parameters. Second Harvest follows the investment and spending policies of the Archdiocese through the Foundation as mandated by the "Agreement to Donate" for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term.

Strategies Employed for Achieving Objectives. The endowment's assets are invested in the Archdiocese of New Orleans' investment pool, as previously described. Second Harvest's spending and investment policies work together to achieve this objective.

Spending Policy and How Investment Objectives Relate to the Spending Policy. Spending is approved by the Board, based on the needs of Second Harvest.

Note 17 - AVAILABILITY OF FINANCIAL ASSETS

Second Harvest is substantially supported by contributions and grants on an unrestricted and restricted basis. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Second Harvest must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Second Harvest's liquidity management, management established a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Management established guidelines for making decisions related to managing short-term cash reserves and other investments in a prudent manner. Second Harvest also has a committed line of credit of \$2,000,000 to help manage liquidity needs.

Second Harvest's Board of Directors also designates a portion of any operating surplus for a particular purpose. The Board of Directors designated reserves can be changed and made available for immediate use in the event of an urgent liquidity need.

The following reflects Second Harvest's financial assets as of June 30, 2021, reduced by amounts not available for general use because of donor-imposed restrictions.

Note 17 - AVAILABILITY OF FINANCIAL ASSETS (Continued)

Financial assets:	
Cash and cash equivalents	\$ 7,238,943
Contributions receivable	4,943,903
Grants receivable	573,057
Other receivables	241,531
Investments	<u>43,463,094</u>
Total financial assets as of June 30, 2021	56,460,528
Less amounts unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donors with purpose restrictions	(31,654,477)
Endowment fund	<u>(1,561,292)</u>
Financial assets available to meet cash needs for general expenditures within one year before board designations	23,244,759
Less board designations	<u>(5,649,511)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$17,595,248</u> ⁽¹⁾

⁽¹⁾According to Feeding America, members shall demonstrate cash reserves without restrictions equal to or greater than an average quarter's cash operating expenses (based on the previous fiscal year audited financial statements excluding donated product, government purchased food and pass-through funds). Management believes this requirement is met.

Note 18 - RETIREMENT PLAN

Second Harvest offers a 401(k) retirement plan for its employees. Employees electing to participate in the plan are required to contribute a minimum of 3% of their salaries, and may elect to contribute up to a 75% maximum, effective July 1, 2017. The plan requires Second Harvest to contribute 3.5% of the participants' salaries. The retirement plan expense also includes an additional 2% contribution by Second Harvest to cover administrative costs and employee benefit costs including life insurance, disability insurance, and other benefits. Any remaining funds from the additional 2% contribution may be used as a discretionary employer contribution to the plan.

Note 18 - RETIREMENT PLAN (Continued)

The plan administrator is the Archdiocese. The plan trustee is Voya. Second Harvest contributed \$231,585 (retirement \$148,751, benefits \$82,834) and \$215,148 (retirement \$137,421, benefits \$77,727), for the years ended June 30, 2021 and 2020, respectively.

Note 19 - LEASES

Second Harvest as Lessee

Second Harvest leases warehouse and office space in Lafayette and New Orleans under two operating leases. The current lease agreements for Lafayette and New Orleans are for the periods January 1, 2018 through December 31, 2022 and January 1, 2019 through December 31, 2020, respectively. Monthly payments on the leases are \$8,349 for the Lafayette warehouse and office, and \$1,000 for the New Orleans office. Second Harvest leases three trucks under operating leases. The current lease agreements are for the period July 1, 2014 through June 30, 2024. Monthly payments on the leases are \$5,206. Second Harvest also leases four copier machines under operating leases. The current lease agreements vary from periods April 1, 2020 through June 14, 2024. Monthly payments on the leases are \$1,554.

Rent expense for the leases for the years ended June 30, 2021 and 2020 was \$193,451 and \$179,624, respectively.

As of June 30, 2021, minimum future obligations under operating leases having an initial lease term of one year or more are as follows:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2022	\$163,884
2023	110,293
2024	<u>28,256</u>
Total	<u>\$302,433</u>

Second Harvest as Lessor

Second Harvest leased approximately 22,400 square feet of warehouse space for the period April 1, 2018 through April 30, 2022, with monthly payments of \$8,661.

Note 19 - LEASES (Continued)

Second Harvest as Lessor (Continued)

Second Harvest leased approximately 8,000 square feet of warehouse space for the period October 1, 2018 through September 30, 2019 and renewed the lease agreement for the period of October 1, 2019 through September 30, 2020, with monthly lease payments of \$1,494. The lease was renewed a second time for the period of October 1, 2020 through September 30, 2021, with monthly lease payments of \$2,720. The lease was terminated effective February 27, 2021.

Rental income was \$122,266 and \$121,047 for the years ended June 30, 2021 and 2020, respectively.

As of June 30, 2021, future rentals to be received under operating leases having an initial lease term of one year or more are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	<u>\$86,613</u>

Note 20 - SIGNIFICANT CONTRACTS AND GRANTS

For the years ended June 30, 2021 and 2020, \$34,828,141 and \$32,738,572, respectively, (which includes \$441,997 and \$520,159, respectively, of revenue included in non-Federal fees and grants on the Statements of Activities) of Second Harvest's governmental financial assistance was from the U.S. Department of Agriculture. Management believes that Second Harvest is in compliance with the provisions of these contracts and grants and that the findings of an audit, if any, would not have a material impact on the financial statements.

Note 21 - RISK MANAGEMENT

Second Harvest is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2021 and 2020.

Note 22 - CONCENTRATIONS OF CREDIT RISK

Second Harvest maintains deposits with local financial institutions. Accounts at these institutions are insured by the U.S. Federal Deposit Insurance Corporation up to \$250,000 per account. The balances at times may exceed federally insured limits. As of June 30, 2021, uninsured cash and cash equivalent balances were approximately \$6,306,000.

Second Harvest maintains money market accounts and mutual funds in investment accounts with brokerage firms where they are insured by the Securities Investor Protection Corporation for balances up to \$500,000 (with a limit of \$250,000 for cash). As of June 30, 2021, cash in excess of the insured limits was approximately \$100,000.

Note 23 - RISKS AND UNCERTAINTIES

Investment securities are exposed to various risks, such as interest rate, currency, credit, and market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in risk in the near term would materially affect the fair market value of investments held by Second Harvest.

Note 24 - BOARD OF DIRECTORS COMPENSATION

The members of Second Harvest's Board were not compensated during the years ended June 30, 2021 and 2020.

Note 25 - RELATED PARTY TRANSACTIONS

The Archdiocese, through the operations of the Administrative Offices, serves as a conduit in providing insurance coverage to Second Harvest. The Administrative Office assesses premiums to Second Harvest based on relevant factors for each type of coverage. In the normal course of operations, the Archdiocese may make available to Second Harvest other specific assistance. Second Harvest is assessed separately for this assistance.

Second Harvest paid the Archdiocese \$366,405 and \$314,957 for general liability, property coverage, workmen's compensation, and vehicle insurances for the years ended June 30, 2021 and 2020, respectively.

Note 25 - RELATED PARTY TRANSACTIONS (Continued)

Second Harvest leased office space from the Archdiocese through May 2021. Rent expense paid to the Archdiocese totaled \$12,000 for each of the years ended June 30, 2021 and 2020. (See Note 19)

Second Harvest has a line of credit arrangement with the Archdiocese as described in Note 13.

Note 26 - COMMITMENTS ON CONSTRUCTION CONTRACTS

Second Harvest entered into a contract for architect services relating to the construction of a new building totaling approximately \$710,000. Additionally Second Harvest entered into a second contract for architect services relating to roof replacement and HVAC installation totaling approximately \$275,000. As of June 30, 2021, Second Harvest has incurred architect costs of \$834,562 related to these contracts. (See Notes 4 and 9.)

On June 9, 2020, Second Harvest entered into a contract for roof replacement and HVAC installation totaling approximately \$2,330,000. As of June 30, 2021, Second Harvest has incurred construction costs of \$1,673,754 related to this contract. (See Notes 4 and 9.)

On December 22, 2020, Second Harvest entered into a contract for the construction of the new building totaling approximately \$6,938,000. As of June 30, 2021, Second Harvest has incurred construction costs of \$2,559,030 related to this contract. (See Notes 4 and 9.)

Note 27 - ARCHDIOCESE OF NEW ORLEANS REORGANIZATION

On May 1, 2020 the Archdiocese filed for reorganization under Chapter 11 of the Bankruptcy Code. The filing was precipitated by recurring historical operating losses and pressured operating cash flows for several years further compounded by financial challenges arising from COVID-19 restrictions which began in March 2020 and efforts to bring an equitable resolution to litigation stemming from alleged decades-old incidents of clergy abuse. Second Harvest is a separately incorporated 501(c)(3) and not a part of the debtor entity, as defined by the United States Bankruptcy Court pursuant to the Chapter 11 filing. Management is not able to estimate the impact, if any, that the Chapter 11 filing will have on its financial statements. However, management does not believe that Second Harvest will experience any restrictions on encumbrances of its deposits with the Archdiocese or investments which have been pooled with the Archdiocese for centralized management in a fiduciary capacity.

SUPPLEMENTAL INFORMATION

**SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES PREPARED
FOR THE UNITED WAY OF SOUTHEAST LOUISIANA**

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2021
(Unaudited)

FORM 1

FUNCTIONAL BUDGET SPREADSHEET 2020 - 2021		ADMINISTRATION			PROGRAM
			FUNDRAISING	TOTAL	SERVICES
		AGENCY	Management	PROGRAM	Second
			and General	SERVICES	Harvest
	1	2	3	4	
REVENUE:					
1	4200 BOARD GENERATED SELF SUPPORT	\$ -	\$ -	\$ -	\$ -
2	4008 4016 4031..4053 CLIENT GENERATED SELF SUPPORT	38,498,900	-	38,498,900	38,498,900
3	4061-4069 GOVERNMENT GRANTS/CONTRACTS	35,299,360	-	35,299,360	35,299,360
4	4010..4013 4017..4020 OTHER FOUNDATIONS OR NATIONAL GRANTS	4,958,727	-	4,958,727	4,958,727
5	4081-4450 4021 OTHER REVENUE	6,739,519	-	6,739,519	6,739,519
6	5005-5019 IN-KIND/NON-CASH CONTRIBUTIONS	88,183,962	-	88,183,962	88,183,962
7	TOTAL SELF GENERATED REVENUE	173,680,468	-	173,680,468	173,680,468
8	4072 UNITED WAY DESIGNATIONS AND ALLOCATIONS	82,327	-	82,327	82,327
9	4071 CFC DESIGNATIONS	-	-	-	-
10	4073 4075 4 076 4078 OTHER UNITED WAY GRANTS	238,901	-	238,901	238,901
11	TOTAL REVENUE	174,001,696	-	174,001,696	174,001,696
12	4074 UNITED WAY GNO REQUEST	45,000	-	45,000	45,000
13	GRAND TOTAL REVENUE	174,046,696	-	174,046,696	174,046,696
EXPENSES:					
14	6005-6019 SALARIES	5,583,000	1,413,186	4,169,814	4,169,814
15	6020-6029 BENEFITS	931,162	293,076	638,086	638,086
16	6040-6049 TAXES	413,092	102,000	311,092	311,092
17	6300-6399 OCCUPANCY EXPENSES	957,736	-	957,736	957,736
18	6400-6499 TRAVEL AND TRANSPORTATION EXPENSE	855,376	41,193	814,183	814,183
19	6500-6599 ex 6503 OFFICE SUPPLIES	160,413	41,754	118,659	118,659
20	6107-6115 PRINTING	44,303	32,775	11,528	11,528
21	6700..6849 DIRECT ASSISTANCE TO INDIVIDUALS	3,309,134	46,258	3,262,876	3,262,876
22	6050-6106 6117-6299 6600-6699 7000-7099 7200-9999 6850-6899 OTHER	2,608,139	615,750	1,992,389	1,992,389
23	7100-7199 IN-KIND/NON-CASH CONTRIBUTIONS	119,680,392	497	119,679,895	119,679,895
24	6900-6999 BOARD GENERATED SELF SUPPORT	919,620	548,076	371,544	371,544
25	GRAND TOTAL EXPENSES	\$ 135,462,367	\$ 3,134,565	\$ 132,327,802	\$ 132,327,802
26	NET DIFFERENCE	\$ 38,584,329	\$ (3,134,565)	\$ 41,718,894	\$ 41,718,894

EXPENSES ANALYSIS:

27-Total Direct Program Expenses	\$ 132,327,802
28-Percent of Total Program Expenses	100%
29-Distribution of M & G Expenses	\$ 3,134,565
30-Grand Total Program Expenses	\$ 135,462,367
31-Projected Undup. People Served	300,000
32-Cost per Person	\$ 452

See Accountant's Disclaimer of Opinion.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To Most Reverend Gregory Aymond, Archbishop
and Board of Directors,
Second Harvest Food Bank of Greater New Orleans and Acadiana,
New Orleans, Louisiana.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Second Harvest Food Bank of Greater New Orleans and Acadiana (a nonprofit organization) ("Second Harvest"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Second Harvest's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Second Harvest's internal control. Accordingly, we do not express an opinion on the effectiveness of Second Harvest's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Second Harvest's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Second Harvest's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Second Harvest's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants.

New Orleans, Louisiana.
December 23, 2021.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE

To Most Reverend Gregory Aymond, Archbishop
and Board of Directors,
Second Harvest Food Bank of Greater New Orleans and Acadiana,
New Orleans, Louisiana.

Report on Compliance for Each Major Federal Program

We have audited Second Harvest Food Bank of Greater New Orleans and Acadiana's ("Second Harvest") (a nonprofit organization) compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Second Harvest's major federal programs for the year ended June 30, 2021. Second Harvest's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Second Harvest's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about Second Harvest's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinions on compliance for each major federal program. However, our audit does not provide a legal determination of Second Harvest's compliance.

Opinion on Each Major Federal Program

In our opinion, Second Harvest complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Second Harvest is responsible for establishing and maintaining effective internal control over compliance with requirements referred to above. In planning and performing our audit, we considered Second Harvest's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Second Harvest's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana.
December 23, 2021.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2021

<u>Federal Grantor / Pass-Through Agency / Program Title</u>	<u>Federal CFDA Number</u>	<u>Passed-through to Subrecipients (Food Commodities)</u>	<u>Federal Expenditures</u>
United States Department of Agriculture:			
<u>Pass-through Programs From:</u>			
<u>Louisiana Department of Agriculture and Forestry:</u>			
Emergency Food Assistance Program (Food Commodities)	10.569	\$ 31,079,779	\$ 23,496,642
Emergency Food Assistance Program (Administrative Costs)	10.568		4,081,737
Trade Mitigation Program Eligible Agency Operational Funds	10.178		6,807,765
<u>Louisiana Department of Education:</u>			
Child and Adult Care Food Program	10.558		19,845
Summer Food Service Program	10.559		229,326
<u>Louisiana Department of Children and Family Services:</u>			
Supplemental Nutrition Assistance Program	10.561		3,595
United States Department of Homeland Security:			
Emergency Food and Shelter Assistance Program National Board Program	97.024		164,563
National Board Program (CARES)	97.024		45,000
		<u>\$ 31,079,779</u>	<u>\$ 34,848,473</u>
Total expenditures of federal awards			

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2021

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Second Harvest Food Bank of Greater New Orleans and Acadiana ("Second Harvest"). Second Harvest's reporting entity is defined in Note 1 to the financial statements for the year ended June 30, 2021. All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed-through other government agencies.

b. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 to Second Harvest's financial statements for the year ended June 30, 2021.

c. Payments to Subrecipients

There were no payments to subrecipients for the year ended June 30, 2021. Food commodities of \$31,079,779 were passed-through to subrecipients.

Note 2 - RELATIONSHIP TO FINANCIAL STATEMENTS

Federal revenues of \$34,848,473 are reported on the Statement of Activities and classified as fees and grants from other federal agencies of \$462,329, U.S. Department of Agriculture commodities of \$30,304,407, and U.S. Department of Agriculture administration of \$4,081,737.

Note 3 - FOOD DISTRIBUTION

Non-monetary assistance is reported in the Schedule of Expenditures of Federal Awards at the average wholesale value of the commodities received and disbursed. Non-monetary assistance included on the Schedule of Expenditures of Federal Awards was \$31,079,779 for the year ended June 30, 2021.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2021

Section I - Summary of Auditor's Results

a) Financial Statements

Type of report issued on the financial statements: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be a material weakness? ___ Yes X None reported

Noncompliance material to financial statements noted? ___ Yes X No

b) Federal Awards

Internal controls over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be a material weakness? ___ Yes X No

Type of auditor's report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance? ___ Yes X No

Section I - Summary of Auditors' Results (Continued)

c) Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.569	Emergency Food Assistance Program (Food Commodities)
10.568	Emergency Food Assistance Program (Administrative Costs)
10.178	Trade Mitigation Program Eligible Agency Operational Funds

Dollar threshold used to distinguish
between Type A and Type B programs: \$1,045,454

Auditee qualified as a low-risk auditee? Yes No

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control Over Financial Reporting

There were no internal control over financial reporting findings material to the financial statements reported during the audit for the year ended June 30, 2021.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the year ended June 30, 2021.

Section III - Federal Award Findings and Questioned Costs

Internal Control and Compliance Material to Federal Awards

There were no findings or questioned costs reported during the audit of the financial statements for the year ended June 30, 2021 related to internal control and compliance material to federal awards.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND
QUESTIONED COSTS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2021

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control Over Financial Reporting

2020-001 Financial Reporting and Accounting

Recommendation - Second Harvest should implement internal control procedures to ensure inventory per the general ledger is adjusted to the final inventory balance in order to provide the Board of Directors accurate financial information on an interim and annual basis.

Management's Response/Corrective Action - Resolved - In response to the inventory correcting entry finding, which management attributes to its intensive COVID-19 response, Second Harvest has taken the appropriate steps to ensure the timely adjustment of the general ledger to reflect the final inventory listing.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the year ended June 30, 2020.

Section II - Internal Control and Compliance Material to Federal Awards

There were no findings or questioned costs reported during the audit of the financial statements for the year ended June 30, 2020 related to internal control and compliance material to federal awards.

MANAGEMENT'S CORRECTIVE ACTION PLAN ON
CURRENT YEAR FINDINGS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2021

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control Over Financial Reporting

There were no internal control over financial reporting findings material to the financial statements reported during the audit for the year ended June 30, 2021.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the year ended June 30, 2021.

Section II - Internal Control and Compliance Material to Federal Awards

There were no findings or questioned costs reported during the audit of the financial statements for the year ended June 30, 2021 related to internal control and compliance material to federal awards.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2021.